COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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NORTH ATTLEBORO GAS CO.	)	**DTE 01-47**
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DIVISION OF ENERGY RESOURCES INITIAL BRIEF

Pursuant to 220 CMR 1.11(3), the Division of Energy Resources ("DOER" or "the Division") hereby submits its initial brief in the above referenced proceeding.

Introduction

On May 1, 2001 North Attleboro Gas Company ("NAG" or "the Company") filed for approval with the Department of Telecommunications and Energy ("Department") the Company's Long-Range Forecast and Supply Plan for the five year period November 1, 2001-October 31, 2006 ("the Plan").

The Department issued a Notice of Public Hearing for the proceeding on May 7, 2001 establishing an intervention deadline date of May 22, 2001. DOER filed a timely Motion to Intervene in the proceeding on May 21, 2001, which was allowed by the Department.

The Department conducted a public hearing on the NAG filing on May 29, 2001 at which time the procedural schedule for the proceeding was established.[1]

DOER Position

Based upon review of the Company's filed plan and the information developed in the discovery and evidentiary processes, DOER recommends that the Department approve the Plan subject to certain conditions. DOER recommends the Department incorporate into the approval of the Plan specific conditions related to the cold snap planning standard, design day reliability, alternative resource supplies in the event of the loss of upstream capacity, and demand-side management. The relevant issues and the associated recommended conditions are discussed below.

I – Cold Snap Planning Standard

The Company stated that storage inventories were not considered in the development of the cold snap planning standard. DOER believes that the Company should be required to include storage inventories in the cold snap planning analysis.

[1] The procedural schedule established the following dates: 7/20/01 - Discovery Deadline; 8/1/01 - Discovery Response Deadline; 8/14/01 – Evidentiary Hearing – due to scheduling conflicts the evidentiary hearing was changed to 9/19/01; 10/17/01 – Initial Brief Deadline; 10/24/01 – Reply Brief Deadline.

The Plan states on page 18 that serving the “cold snap” is straightforward provided NAG has sufficient “capacity” to serve the design day. The Company’s witness responsible for the development of the planning standards[2] stated that “capacity” is defined in terms of short-term purchases, long-term contracts, contract paths (including primary firm delivery capacity on Algonquin), and, in general, firm paths for delivery. *See DTE 01-47 9/19/01 Transcript (“Transcript”) at pp. 34-35.* However, the witness goes on to state that storage inventories are utilized to meet a cold snap and that short-term purchases are utilized to the extent that storage volumes are depleted. *See Transcript at pp. 35-36.* This indicates that storage inventories play a more active role initially in meeting a cold snap than short-term purchases. Regardless of this fact, the witness then states that storage inventories ***were not*** considered in the cold snap planning analysis. *See Transcript at page 36.*

DOER takes issue with the cold snap standard planning process employed by the Company in that it did not consider storage inventories. The individual responsible for the development of the cold snap standard has stated that storage levels do play a practical role in meeting a cold snap. The Division believes that, if storage levels are practically utilized in meeting a cold snap, they should be accounted for in the analysis used to develop the cold snap standard.

[2] The individual responsible for the development planning standards was Mr. James L. Harrison, Vice President of Management Applications Consulting. See DTE 01-47 9/19/01 Transcript, page 26.

Furthermore, regardless of Mr. Beland's testimony that the Company's Algonquin contract has excess capacity above the Company's design peak capability, and that the Company's "planning parameters" would not allow them to be short under any circumstance,[3] DOER believes that under certain circumstances[4] storage inventories play an important role in meeting a cold snap. To have short-haul transportation capacity from the storage field is one factor to consider. It is also important to consider whether there is gas supply available to fill that capacity. Incorporating storage inventories in the planning process to establish the cold snap standard ensures the analysis addresses all appropriate factors.

Based upon the foregoing, DOER recommends the Department require the Company to include storage inventories in its cold snap standard planning analysis.

Design Day Reliability

The Plan, as filed with the Department, indicated that for the five-year Plan period (November 1, 2001 – October 31, 2006) the Design Day customer requirements ranged from between 6,110 MMBTUs to 6,916 MMBTUs, and that approximately 4,000 MMBTUs of the design day requirements would be procured via "spot purchases".[5] DOER initially took issue with the Company's

[3] See Transcript at pp.68-69.

[4] E.g. late in the winter season when storage levels are low and short term spot purchases may not be available on the coldest days.

[5] See Table G-24 in the Plan

plan to rely on spot purchases for such a significant percentage (well over 50%) of the design day requirement. The concern was related to reliability associated with spot procurements on the coldest winter day(s). However, the relevant NAG witness[6] stated at the evidentiary hearings that the information in the filing with respect to this issue was no longer correct. The witness stated the Company intends to enter into a firm five-month supply contract for the ~ 4,000 MMBTUs previously procured pursuant to spot purchases. *See Transcript at pp. 42-45.* DOER supports this approach in that it addresses the reliability concerns.

However, the Division notes that the contract is for one five-month period in the 2001-2002 heating season while the filed Plan is for a five-year period. DOER therefore recommends that, due to the reliability issues associated with that spot procurement[7], the Department require the Company to notify it if, in future years (in the Plan period), the Company reverts back to procuring any portion of its design day supply requirements pursuant to spot purchases.

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[6] Gary Beland, Assistant Vice President for Gas Supply for New England Division of the Southern Union Company.

[7] A plan that involves over 50% of design day supply being procured from spot purchases poses significant risk. It puts the Company's customers in a subordinate position to all buyers of supply that have firm supply contracts on the coldest days of the winter when the commodity is being consumed at peak levels. Scarcity of pipeline capacity on such days may quickly affect NAG's ability to deliver gas if significant levels of spot deliveries are relied upon to meet design day demands.

Alternative Resource Supplies in the Event of the Loss of Upstream Capacity

Information elicited at the evidentiary hearings established that the Company does not possess contractual rights to call on a LNG supply from any of its affiliates, or to any other alternative supplies, to supplement its current contractual supplies in the event of an emergency. *See Transcript at pp. 48-45.* The concern raised by the lack of such resource(s) is related to NAG being able to meet its load in a situation where contracted for upstream capacity is unavailable due to either a lack of actual resource or an incident involving the pipeline transportation infrastructure. *See Transcript at pp. 55-56, 58.* The Company's response to this concern was that the economic analysis did not justify purchasing LNG or propane-air resources[8]. The Company further stated that in the case of such an emergency, ample opportunities to use affiliate resources and/or other alternative supplies from generating plants would exist.[9] However, the Company does not possess contractual rights to call on any of these supply options.

DOER is concerned with the potential scenario raised by the Department's hypothetical relative to the unavailability of upstream supply. To address the issue related to alternative supplies in this situation, DOER recommends that the Department require the Company to submit appropriate documentation

[8] See Transcript at Page 62. DOER notes that the company stated it could provide documentation demonstrating the economics did not make sense.

[9] See Transcript at Page 50, 52, 57, 78-82

assessing the feasibility (including cost) of entering into agreements with the potential suppliers/sources the Company states would be available if upstream capacity were disrupted.

Demand Side Management

DOER strongly supports the use of Demand Side Management (DSM) programs in energy resource management. Therefore, the Division believes that it is critical that energy companies be required to consider/incorporate DSM programs/impacts into their Long-Range Planning and Forecast Plans.

The Company's filed Plan in this proceeding does not consider/incorporate DSM programs due to the fact that the Company has not, to date, developed a DSM program. *See Transcript at pp. 91-92*.

DOER believes that NAG should have had a DSM program in place prior to the filing in this proceeding and that the anticipated impacts resulting from the implementation of such a DSM plan should have been considered/incorporated in the planning process.

The Division understands that inexperience in DSM activities may present a significant obstacle to timely development and implementation of a DSM program for a small company like NAG. However, the Company was acquired by the Southern Union Company in September 2000 and incorporated into

Southern Union's New England Division. *See Plan at page 1*. By virtue of the acquisition, NAG will, or should, receive the benefit of the DSM experience of its affiliates in the New England Division of Southern Union. In fact, NAG states in the Plan that it will utilize the DSM experience of Fall River Gas Co. (an affiliate) in creating its DSM program. *See Plan at pp. 4-5, 19*. As stated, the Company was acquired in September 2000. Fall River filed a DSM plan in February 2001. Therefore, the Company had five months to take advantage of Fall River's DSM experience and develop a plan that could have been filed concurrently with Fall River's filing. The Company stated that it did not do so because, during the development of the Plan at issue here, it had not decided whether DSM programs made sense for the Company. *See Transcript at pp. 91-92*. However, in contradiction to this statement, the Plan itself definitively acknowledges the value of DSM and states that NAG fully intends to develop and implement such a program.[10] *See Plan at pp. 4-5, 19*. Furthermore, the Plan states that the Company has observed the DSM activities of other LDCs in Massachusetts and the importance of such activities. *See the Plan at pp. 4-5, 18-19.* The Company was clearly aware of the value of DSM in the Long-Range planning process and, based upon the timing of the merger with Fall River, it did have sufficient time to develop a plan that could have been considered here and should have done so.

[10] Therefore, the Plan itself definitively recognizes the importance of DSM activities. This is a strong indication that the Company, in the planning process for the filing at issue here, did in fact recognize the importance of DSM programs.

The Division recognizes that the Plan states that the Company does intend to file a DSM plan in the Spring of 2002. However, while DOER fully supports NAG's intention to file said plan, the Division recommends that the Department require the Company to file the DSM plan as soon as practicable, but no later than March 2002. The Division also recommends that the Department require the Company to implement the Plan by November 1, 2002. Finally, to ensure this is accomplished, the Division recommends that the Department require the Company to submit an interim scoping document that demonstrates adequate progress towards meeting the DSM goals.

Conclusion

DOER recommends that the Department approve the proposed NAG Plan subject to the conditions described above.[11]

[11] DOER would like to note that in response to a DOER information request the Company provided its Emergency Response Plan (ERP). Review of the plan revealed several inaccuracies that indicated the plan was not being updated on a regular basis. DOER recognizes that review of the ERP is not part of the Long Range Forecast and Supply Plan approval process. However, the Division believes that the ERPs serve an important role in the administration of a natural gas LDC and therefore, intends to address the adequacy of such plans more thoroughly in the future.